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11. (U) This cable is Sensitive But Unclassified. For official use only, not for dissemination outside USG channels or posting on the internet.

12. (SBU) Summary: In a February 26 meeting with the Ambassador, Finance Minister Vu Van Ninh recognized the difficulty of reconciling Vietnam's goals of high economic growth and low inflation, and hoped that the currency's exchange rate would remain steady in 2008. The Minister also promised to look into Vietnam's corresponding contribution to the U.S.-sponsored project to upgrade Vietnam's aviation regulatory safety posture to Category 1. The two also discussed the ASEAN Foreign Ministers' meeting in Vietnam next April and cooperation on improving Vietnam's capital markets. End summary.

COMPETING GOALS MAKING LIFE HARD AT FINANCE

13. (SBU) The Ambassador paid a courtesy call on Finance Minister Vu Van Ninh on February 26. Ninh, who has worked at Finance for most of his professional life, told the Ambassador that the 8.5 - 9 percent growth target for 2008 would probably be off the mark. He expressed similar pessimism at being able to contain high inflation effectively. (Note: This week the GVN announced February's CPI index increased 15.7 percent year-on-year, almost twice the Government's aim to keep inflation below the growth rate. Also, see Reftels. End note.) "Inflation targets are hard to meet because of high commodity and import prices," he lamented. "Too-tight monetary policy may stifle growth and development." Over the last month, the Government of Vietnam (GVN) has tried to rein in liquidity to try to contain inflation, without results thus far (REF C).

14. (SBU) Ninh and the Ambassador also discussed the possibility that a global economic slowdown in 2008 may also dent Vietnam's export revenues, which grew by 29 percent in 2007 (Ref F). To compound the situation, the Vietnamese dong has been appreciating against the dollar, a trend that is expected to continue in 2008. Ninh said that he expected to be able to forestall a considerable dong

appreciation. "We expect it to keep from appreciating or depreciating too much against the dollar," he vowed.

HOPES THAT HIGH INVESTMENT CAN COME TO THE RESCUE

15. (SBU) The Minister took solace from the fact that the investment picture remains positive. "Fortunately, we continue to expect high investment numbers" in 2008. Vietnam's success in attracting investment (Vietnam authorized \$17.65 billion in new investment in 2007) has been a key component of its growth strategy, and increasingly important in balancing its current accounts (Reftel D).

Ninh said that U.S. investment thus far had been "modest" and had much room to grow.

AVIATION SAFETY UPGRADE GETS MINISTERIAL ATTENTION

16. (SBU) The Ambassador raised the issue of GVN funding for a Trade and Development Agency (USTDA) initiative to upgrade Vietnam's regulatory safety posture to Category 1 that would allow direct flights to the United States. "I have heard your Prime Minister say that this is a priority for him, but the Minister of Transportation said that he was having trouble obtaining the necessary \$50,000" for the GVN contribution to the \$1.4 million project, funded thus far by USTDA and the U.S. private sector. Minister Ninh said that he was not familiar with the issue and promised to look into it. On February 27, the General Director of the Finance Ministry's International Cooperation Department told us that Ninh had already given instructions to see what was holding up the contribution and that she hoped that the request would be approved in the immediate future.

ASEAN FINANCE MINISTERS' AGENDA

17. (SBU) To questions from the Ambassador on the upcoming ASEAN Finance Ministers' meeting in Vietnam, Ninh said that the three

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priority items on the agenda would be financial sector security, capital mobilization and the Chang Mai Initiative. The Twelfth ASEAN Finance Ministers Meeting will be held in Danang in central Vietnam, on April 3 and 4, along with the Informal ASEAN Finance and Central Bank Deputies Meeting Plus Three (China, Japan and South Korea).

CAPITAL MARKET IMPROVEMENTS

18. (SBU) The Ambassador and Minister Ninh also talked about the development of Vietnam's capital markets. The Finance leader recognized that the sector needed "more attention, especially in [establishing] the legal framework." The Ambassador mentioned that more developed bond and municipal markets would improve Vietnam's ability to finance much-needed infrastructure expansion.

19. (SBU) In this regard, the Ambassador noted that Treasury is offering to provide technical assistance to help Vietnam develop its bond market. The Minister said he welcomed this assistance.

BIOGRAPHICAL NOTES

110. (SBU) Aside from a 2003-06 stint at the Hanoi's People Committee, the 53 year-old Ninh has spent his entire career at the Finance Ministry. The U.K.-based magazine The Banker chose him in 2007 as its Asian Finance Minister of the Year for his support for economic reform and willingness to engage with the global bond markets, among other things

(http://www.thebanker.com/news/fullstory.php/aid/4666/Finance_Minister_of_the_Year_Asia.html).

During the meeting, he was courteous and somewhat reserved; but that did not keep him from poking fun at the Embassy's "humble" facilities when the Ambassador praised the imposing look of the Finance Ministry (both of them laughed). Ninh has proved to be one

of the most elusive of the GVN's ministers to agree to a meeting as it took nearly six months from the date of the Ambassador's initial request for this courtesy call. (Curiously, former Finance Minister and now Deputy Prime Minister Nguyen Sinh Hung, and Ninhs' mentor, is equally hard to meet.) Ninh understands English, often nodding as the Ambassador spoke, and said a few pleasantries in English after the meeting.

MICHALAK